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## EXCERPTS FROM THE BOARD

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The state's gross domestic product, as measured by the University of Massachusetts Current Economic Index, is growing faster than that of the United States. Much of the slowing of national economic growth is due to troubles in the automotive industry and declines in new housing construction. Neither sector is as important in Massachusetts as in the nation, though the declining state housing market is a drag on the economy.

On the other hand, the state unemployment rate continues to be above the national rate, and payroll employment has still not achieved levels last seen at its peak during the first quarter of 2001. If payroll employment does not match its earlier peak until after 2010, as projected by the New England Economic Partnership, it will be the first time on record that the state has experienced a ten-year period without net growth in jobs.

There is positive news about the state's population, which is now estimated by the U. S. Census Bureau to be growing again, after falling during much of the last decade. The growth is due solely to the continuing influx of foreign immigrants.

Net domestic migration continues to be negative in the state, as it has been for the entire decade. Domestic migrants tend to be younger, better educated, and strongly attached to the labor market. This continuing net drain exacts a serious toll on the state economy, and reflects perceived weakness in job growth prospects in light of the 2001-2003 downturn, as well as the high cost of housing.

The international environment remains extremely robust. Economic growth rates are higher worldwide than at any time since the early 1970s. The Asian economies, especially China, are experiencing especially rapid growth. Such a high growth rate is unsustainable over the longer term, but any slowdown is likely to be mild this year. Global economic growth is very important in the state, particularly for the technology sector.

Regarding the state's housing market, over the past year prices and sales have fallen and unsold inventories have risen. As has been widely reported, foreclosures are increasing, especially for "sub-prime" mortgages. However, stretched borrowers, soft home prices, and tightening credit standards — more traditional factors in pushing up foreclosure rates — also characterize the state economy. Declining state housing markets are indicators of current and future weaknesses in the state economy.

*Prepared by Executive Editor Robert Nakosteen*